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UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF CALIFORNIA

NEUROREPAIR, INC.,

Plaintiff,

v.

THE NATH LAW GROUP, a Professional Limited Liability Corporation, ROBERT P. COGAN, an individual, and DOES 1-20,

Defendants.

Case No. 09 CV 986 JAH WMC

DEFENDANTS' OPPOSITION TO PLAINTIFF'S FOR PARTIAL SUMMARY JUDGMENT RE DEFENDANTS' LIABILITY FOR MALPRACTICE AND BREACH OF FIDUCIARY DUTY

OPPOSITION TO PLAINTIFF'S MOTION TO STRIKE DEFENDANTS' AFFIRMATIVE DEFENSES

Date	January 24, 2011
Time:	2:30 p.m.
Courtroom:	11
Judge:	Hon. John A. Houston
Magistrate Judge:	Hon. William McCurine, Jr.
Complaint Filed:	March 20, 2009
Trial Date:	None set

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I.

INTRODUCTION

Defendant Robert Cogan, a patent attorney with decades of experience as patent counsel for some of the largest companies in the world, was fully qualified to prosecute Plaintiff's patents. His filings on behalf of Plaintiff Neurorepair, Inc. objectively and demonstrably advanced its patent applications. Nevertheless, because Defendants did not get the result that Plaintiff's principal wanted before growing impatient and moving on to the fourth (of six) law firms handling its patents, it now demands that Defendants be found negligent, as it has also alleged of its predecessor and successor patent counsel.

But results are the not the standard for attorney malpractice, lest every attorney who loses a motion fear a malpractice suit. Rather, Plaintiff must prove that Defendants' conduct fell below the standard of care, and that such a breach actually caused Plaintiff harm. Moreover, because it seeks summary judgment, Plaintiff must also demonstrate that its claims are not subject to an affirmative defense. But here, Plaintiff's motion fails because, in truth, Defendants put in place a solid strategy to obtain claims that ultimately worked.

First, Plaintiff cannot prove its case because its claims are time barred under California's one year statute of limitations for legal malpractice actions. Plaintiff knew everything it now alleges in this case as of the date it terminated Defendants, if not earlier. Yet it waited well over a year to file this action. On this ground alone, Plaintiff's motion, and indeed its entire case, necessarily fails.

Second, Plaintiff cannot prove the element of causation necessary to each of its claims. Plaintiff's central thesis for its motion, and overarching theory of this case, posits that had Defendants filed a Rule 132 declaration[1] its patents would have issued. But Plaintiff cannot prove this theory because, as Plaintiff's own patent counsel admitted under oath, the patent examiner stated specifically that three things were *all* necessary for Plaintiff's patents to ultimately issue: (1) a narrowing of the patent claims, (2) the filing of a Rule 132 declaration

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[1] Rule 132 Declarations take their name from section 1.132 of the Manual of Patent Examining Procedure. 37 C.F.R. 1.132. Such declarations are one of several ways to traverse rejections from the patent office.

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with scientific data from the inventor (data which that inventor only provided to the last of the six law firms that prosecuted Plaintiff's patents), and (3) the presence of *2009 and 2010* (i.e., after Defendants were terminated) research publications supporting Plaintiff's invention. Thus, Plaintiff cannot prove that had Defendants filed a declaration (before a different patent examiner no less), it would have resulted in issuance of Plaintiff's patents. This again, by itself, defeats Plaintiff's case, much less its motion for summary judgment.

Third, Plaintiff has failed to prove a breach of the standard of care. Whether Plaintiff's standard of care expert, who himself admits he is not qualified to prosecute these patents, ultimately is deemed worthy to testify and provides an alleged violation of the standard of care is irrelevant because Defendants' highly-qualified and esteemed expert has found *no breach of the standard of care*. Thus, at best for Plaintiff there is a triable issue of fact on the standard of care—which expert is more credible. Further, Plaintiff's theory of breach is mistaken. To grant summary judgment where competing views exist as to standard of care would be a reversal of long-standing malpractice law.

In sum, Plaintiff has failed to carry its burden of proof for partial summary judgment. Its claims are time barred, it cannot prove causation, and it has failed to demonstrate a breach of the standard of care or, for that matter, why a genuine dispute of expert testimony as to the standard of care should be disregarded by this Court. In addition, the motion is not properly brought before this Court.[2] For all of these reasons and the arguments and evidence submitted herein, Plaintiff's motion should be denied in full.

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[2] Plaintiff's motions for partial summary judgment and to strike Defendants' affirmative defenses violate Local Civil Rule 7.1(f)(1), which provides that "Each motion or other request for ruling by the court must be accompanied by a separate motion and notice of motion and another separate document captioned "Memorandum of Points and Authorities in support of [the motion.]" Despite this violation, which alone render Plaintiff's motions invalid, Defendants have opposed both motions. Defendants' opposition to Plaintiff's motion to strike is provided as a separate brief on pages 26-30 for the Court's benefit.

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II.

FACTUAL BACKGROUND

A. Transforming Growth Factor-Alpha.

The invention underlying Plaintiff's[3] three patent applications is the use of a therapeutic known as Transforming Growth Factor-Alpha ("TGF-a") "for treatment of central nervous system disorders and injuries, including stroke, Alzheimer's disease, Parkinson disease, spinal cord injury, retinal disorders, and brain injury from head trauma." (Exh. A, ¶ 11.) The invention was discovered in part by Dr. James Fallon, a professor at the University of California Irvine (and current shareholder in Plaintiff), as a result of laboratory tests of rats. (Exh. B, 23:3-23, 25:4-15; Exh. C, ¶ 9.)

To date however, there is absolutely no proof that TGF-a works or will work in humans. (Exh. B, 149:5-16, 202:22-203:17.) In fact, multiple tests of the therapeutic in monkeys have failed to produce clinically significant results. (Exh. B, 222:4-223:1; Exh. S, 64:1-15, 150:24-153:5.) And despite the initial invention having been discovered more than a decade ago, there has been no clinical testing of TGF-a in humans whatsoever. (Exh. B, 149:5-16, 202:22-203:17.) Nor has Plaintiff submitted an Investigational New Drug Application with the Food and Drug Administration to even begin the process of starting human trials for FDA approval. (Exh. B, 149:5-16.) Indeed, Plaintiff's own expert has found that there is a 92% probability that TGF-a will never be a viable product for human use. (Exh. O, Appendix 9.1.) For his part, Dr. Fallon stopped researching TGF-a in the summer of 2007 when he retired from the University of California Irvine's Department of Anatomy and Neurobiology altogether. (Exh. B, 41:8-20.). Furthermore, when Mr. Klipstein considered trying TGF-a on himself, Dr. Fallon advised him against doing so for fear of Mr. Klipstein's safety. (*Id.* at 227:4-228:24.)

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[3] Plaintiff was formed by its principal, Matthew Klipstein, after a neurological injury left him partially paralyzed. He formed Plaintiff and funded TGF-a research in order to cure himself. (Exh. HH, p.1; Doc. #53, ¶ 4.)

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B. The First Seven Years of Patent Prosecution Prior to Plaintiff's Hiring Defendants Resulted In Fourteen Rejections and No Patents.

The three patent applications at issue in this matter are numbered 09/129,028 (the '028 Application), 09/739,933 (the '933 Application), and 10/167,384 (the '384 Application). They were originally filed in 1998, 2000, and 2002 respectfully. (Request for Judicial Notice ("RJN") 1-3; RJN 4-6.) Defendants did not prepare any of these applications. (RJN 4-6.) In fact, Defendants were not even retained until seven years into their prosecution. (Exh. A, ¶ 13.)

The applications were originally prepared and prosecuted by Fish & Richardson ('028 and '933) and Bozicevic, Field & Francis ('384) on behalf of the University of California. (RJN 4-6.) Based on its employment agreements with Dr. Fallon and his fellow researchers, the University owned the patent applications during this time. (RJN 4-6; Exh. B, 48:7-18.)

The first seven years of prosecution under these two firms were completely unsuccessful. The patent office issued twelve rejections concerning the three patent applications ('933—three rejections; '384—three rejections; and '028—six rejections), including a rejection following the submission of a Rule 132 Declaration by Dr. Fallon in 2003. (RJN 1-3, 7-8.) Mr. Klipstein aptly summarized the status of the patent applications at the time Defendants were first retained:

> I am aware that there is often a back-and-forth process as to a few Claims in an Application, but, ***in this case, the Examiner rejected, not just a few claims, but virtually the entire Applications.***
>
> I know [Bozicevic's counsel] is optimistic, ***but my reading of the Weiss patent is that it is extremely broad (God only knows how he got that approved by the PTO), and does, as the Examiner states, cover pretty much everything shown in the Fallon/UCI Applications.*** [Dr. Fallon] assures me there are meaningful differences, and I believe him, but the differences are hardly apparent in the Applications. [Dr. Fallon] may have to teach the Appeals panel a lot of biology. (Exh. E; Exh. B, 97:1-9; 99:13-100:1.)

C. Defendants Were Qualified to Prosecute Plaintiff's Patents and Successfully Progressed the '384 Patent.

Plaintiff retained Defendants in December 2005 to take control of the prosecution. (Exh. A, ¶ 13.) Mr. Cogan was a partner in the San Diego offices of The Nath Law Group[4] at the time.

[4] Plaintiff has asserted that Mr. Cogan was a "contract employee of the firm whose compensation was merely a portion of whatever was billed and collected from his clients..." he therefore had some "decided incentive to

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With several decades' worth of experience as a patent attorney, including serving as Chief Patent Counsel for EG&G, Inc. and intellectual property counsel for Lockheed Martin, Mr. Cogan had prosecuted hundreds of issued United States and foreign patents. (Decl. of R. Cogan, ¶ 10.)

By the time Defendants were retained by Plaintiff, both the '933 and '028 Applications were on appeal and stayed. (RJN 1-3.) The '384 Application, however, remained active and because of the common issues between the three patent applications, the '384 Application was prosecuted by Defendants, while the remaining applications were left on appeal. (*Id.*; Decl. of R. Cogan, ¶ 11.) This strategy had the benefit of saving Plaintiff money because the common rejections for all three applications could be addressed by pursuing just the '384 application while the others were left on appeal. (*Id.*)

Defendants were successful in removing significant barriers to patentability in only two filings over the course of a single year. Most notably, Defendants' first filing in July 2006 overcame the patent office's rejection based on lack of novelty[5] (35 U.S.C. § 102(b and e)). (RJN 9, p. 4.) The patent office had previously asserted this rejection three times in response to filings by prior counsel. (RJN 10, p. 4-7; RJN 11, p. 4-12; RJN 12, p. 3-31.) In their second filing, Defendants also overcame a rejection based upon lack of enablement (35 U.S.C. § 112). (RJN 13, p. 3.) In the seven years of prosecution prior to Defendants' involvement, there was no such progress. Yet Defendants made objective progress in both of its two filings.

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overbill Neurorepair, his only client of substance" (Doc. #52, 6:6-7.) This assertion is misguided and the citations used to support it do not do so. Mr. Nath testified that Mr. Cogan was a "contract partner," not a "contract employee" as Plaintiff's motion asserts. Mr. Cogan was a partner the same manner as any attorney who works for a firm and receives a portion of the fees billed to his or her clients, but does not receive a portion of the firm's overall profits, is. (Doc. #54-6, 8:13-20.) Mr. Cogan was a "partner," he received a biweekly draw from The Nath Law Group, and had no more incentive to overbill his clients than any attorney with an equity share in its law firm.

[5] Defendants were able to overcome a rejection based on lack of novelty in view of United States patent 5,980,885 (by Weiss et al. filed June 7, 1995, issued Nov. 9, 1999) alone. This alone was a significant achievement. As the patent histories reflect, the Weiss patent proved to be the primary obstacle to patentability for the duration of the prosecutions. The rejection based on the Weiss patent view of the other prior art however, remained.

D. Plaintiff Terminated Defendants Before they Could File a Rule 132 Declaration

Despite Defendants' best efforts and Mr. Klipstein's repeated emails praising the quality of Mr. Cogan's work[6] however, the USPTO continued to assert an obviousness rejection based on the view that the patents were "anticipated by" or "unpatentable" in light of the prior art and patents (35 U.S.C. 103). (*Id.* at 3.) As the Court will observe, this rejection was the primary obstacle in every subsequent rejection of Plaintiffs' patents until their issuance in 2010. (RJN 1-3; Exh. F.)[7] Specifically, eleven different patent examiners[8] each took the view that U.S patent 5,980,885 (by Weiss et al. filed June 7, 1995, issued Nov. 9, 1999), foreign patent WO98/22127 (by Reynolds et al., issued 28 May 1998), and an article in *Experimental Neurology* (Pan et al. [Exp. Neurol. 1999. 160: 454-459]) together rendered Plaintiff's invention unpatentable. (*Id.*)

In response to the rejection to their second filing, Plaintiff and Defendant subsequently exchanged several emails and telephone calls in July and August of 2007, during which Plaintiff expressed his frustrations with the state of the patent prosecution. (Exh. H, K, L, M.) When the managing partner of The Nath Law Group's San Diego offices, Ross Epstein, himself not even a patent lawyer, was made aware of these frustrations, he sent a knee-jerk response email to Cogan. (Doc. #54-1, Plaintiff's MSJ Exh. A.) Plaintiff has offered this email in its motion as evidence of wrongdoing. In truth however, Mr. Epstein has himself admitted that his statements were based on his mistaken understanding of events at that time:

> Q. Okay. And you say, "[Plaintiff] has nothing to show for [the more than $100,000 billed by Defendants]."
>
> A. ***That was probably a bit of an overstatement, because I wasn't that familiar with the specifics of what was going on***. What I was concerned about was that a lot of money had been spent and there were no patents issued at this point…***And it looks like the hundred thousand was wrong and so was the nothing to show for it***, I suppose…since this has happened, and since I've read the pleadings in

[6] In a February 2006 email, following the successful negotiation of a license with the University of California Irvine by Mr. Cogan which resulted in Dr. Fallon retaining all intellectual property ownership over any continued TGF-a work he did at the University. Mr. Klipstein stated that "I expect this provision will be worth millions of dollars to [Dr. Fallon]" and then gushed "let's not forget that the smartest thing I may have done was to retain Rob Cogan." (Exh. X; Exh. B, 173:5-8.)

[7] For the Court's benefit, Defendants have prepared a chart of all rejections of Plaintiffs patents in this matter. This chart is submitted with Defendants' as Exhibit F.

[8] Sharon Turner, Gary Kunz, Janet Andres, Brenda Brumback, Anthony Caputa, Chang-Yu Wang, Jeffrey Stucker, Stacey Macfarlane, John D. Ulm, Christine Saoud and Elizabeth Kemmerer.

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> the case, I have a much better understanding of what was going on… This was an e-mail written out of frustration…***It had nothing to do with the substantive aspects of the prosecution***…I probably should not have written it the way I wrote it. I was frustrated. (Exh. Y, 74:9-75:7, 76:17-77:5, 78:19-79:5)

Mr. Epstein's email is merely an instance of a worried managing partner, who is not a patent lawyer and lacked a basic understanding of what was going on, jumping on his attorney before having all of the facts. While his motivation in trying to protect the client is admirable, he readily admits that he should have picked up the phone to call Mr. Cogan before sending it, so he would have known, for example, that the reason a conference call had not occurred – which was the source of Mr. Epstiein's frustrations – was that Mr. Klipstein was in fact suffering health problems. (Exh. Y, 119:2-17.)

After the latest rejection, Mr. Cogan thought the next step was to put some facts, via declaration, before the examiner to try to obtain removal of the last bar to patentability. To that end, and contrary to Mr. Klipstein's sworn affidavit (Doc. #53, 4:6-10), Mr. Cogan specifically advised Plaintiff on *two separate occasions* that filing a Rule 132 Declaration was one of several potential next steps to take to obtain the patents. (Exh. G, M.)

Nevertheless, Plaintiff was convinced of the need for a patent attorney with a biological sciences education. (Exh. A, Comp. ¶ 22; Exh. H.) Thus, Plaintiff terminated Defendants' representation on August 22, 2007, *before* Defendants could file any Rule 132 declaration.

E. The Troubled History of the Patents Following Defendants' Representation

Plaintiff's motion for summary judgment conveniently skips from Defendants' termination to the issuance of its patents following a filing by James Haley of Ropes & Gray. Plaintiff does this of course, to make it appear as though the issuance of the patents was a rudimentary feat any competent patent counsel would have achieved. In truth however, it took three more years, three more law firms, ***three separate Rule 132 Declarations***, and a dozen additional rejections and interviews for the patents to ultimately issue. (Exh. F; RJN 1-3, 16-18.)

After terminating Defendants, Plaintiff first retained the firm Welsh & Katz in August 2007. (Exh. I, ¶ 9.) Welsh & Katz responded to additional office actions, but were unsuccessful in overcoming the patent office's objections. (RJN 1, 16.) Plaintiff then terminated Welsh &

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Katz and filed a legal malpractice action against them, raising several identical allegations in that action as it does here against Defendants. (Exh. I, ¶ 18.) Remarkably, Plaintiff claimed to have been duped a second time into retaining counsel without sufficient expertise in the subject matter of its patents, and to once again have been overbilled. (Exh. I, ¶ 11, 15, 17; Exh. 7)

Plaintiff then retained Duane Morris, who in turn prosecuted the patents for two years. And yet despite their having filed ***two separate Rule 132 Declarations*** from Dr. Fallon and multiple amendments and responses to rejections, Duane Morris was also unable to obtain the patents. (RJN 1-3; 17-18.)

Thus, in early 2010, Plaintiff again retained new counsel, this time hiring James Haley from Ropes & Gray. (Exh. J, 10:17-12:10-22, 15:23-16:11.) After assisting in a response to office action in early 2010 which resulted in another rejection, Ropes & Gray filed claim amendments and requests for reconsideration for both the '384 and '028 patents in May 2010. (Exh. J, 16:8-17:1; RJN 1-3.) As part of these filings, Ropes & Gray submitted a revised Rule 132 Declaration by Dr. Fallon including experimental lab notes that he failed to provide to Defendants, Duane Morris, Welsh & Katz, or any other prior counsel. (RJN 1-3; Exh. J, 67:21-71:6.) Ropes & Gray also amended the language of the patent claims to be ***narrower*** in scope in response to comments from the patent examiners by inserting the limitation of using "TGF-a as a ***sole growth factor*** in a composition". (RJN 20, p.2; RJN 21, p.2; RJN 22, p. 10; Exh. J, 79:24-81:7; 83:3-84:19; 87:9-88:5.) This language was narrower than what Plaintiff wanted:[9]

> "[W]e want to end up owning all rights to use TGFa, ***whether alone or in conjunction with any other growth factor or pharmaceutical composition***, to repair neurological damage. To accomplish that, we need to find a way past the Weiss patent ***without having to distinguish our IP by defining it more narrowly than the preceding sentence***, such as by specifying a method of administration. (Exh. EE.)

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[9] They are likely also of zero commercial value due to the changes that were made, per Defendants' expert, but that analysis can await another day.

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Nevertheless, in response to Ropes & Gray's May 2010 filings, the patent office issued notices of allowability for the '384 and '028 Patents. (RJN 20, 21.)[10] These notices plainly stated the patent examiner's reasons[11] to withdraw its decade old rejection and allow the patents to issue:

REASONS FOR ALLOWANCE

> 2. The following is an examiner's statement of reasons for allowance: the reason that the instant claims are allowed is based on the claim amendment; in particular, ***the claim amendment*** "TGF-a as a sole growth factor in a composition"..., ***the declaration*** filed on 5/17/10 ***and the inventors' post-filing date publications***: Fallon et al. (PNAS, 2000. 97:14686), Guerra-Crespo et al. (Neuroscience ***2009***, 180:470-483) and Guerra-Crespo et al. (J. Stroke Cerebrovasc. Dis. Jan ***2010***. 19:3-9).

(RJN 20, p.2; *See* RJN 21, p. 2.)

Despite these statements and the admission by Plaintiff's own patent counsel of Ropes & Gray that *all three grounds were necessary for the patents to issue* (Exh. J, 115:1-116:11.), Plaintiff nevertheless now seeks to prove that its patents would have issued in 2006 had Defendants only filed a Rule 132 Declaration. (Doc. #52, p.7, ln. 22-26.)

III.

LEGAL STANDARD FOR SUMMARY JUDGMENT

Summary judgment is inappropriate unless the pleadings, discovery, and affidavits show that there is "no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law." FED. R. CIV. P. 56. A material issue of fact is a question the trier of fact must answer to determine the rights of the parties under the applicable substantive law. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248 (1986). A dispute is genuine "if the evidence is such that a reasonable jury could return a verdict for the nonmoving party." *Id.* at 248. The party moving for summary judgment bears the burden of identifying the portions of the pleadings, discovery and affidavits that demonstrate the absence of a genuine issue of material fact. *Celotex Corp. v. Catrett*, 477 U.S. 317, 323 (1986).

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[10] The '933 Application is still pending, and was most recently rejected again in June of 2010. (RJN 3; RJN 15 6/2/2010 Non-Final Rejection.)

[11] Plaintiff's quotation of one of these allowances is misleading and taken out of context. (Doc. #52, 9:9-14.) The paragraph cited above is the actual statement of the patent examiner's reasons. The paragraph quoted in Plaintiff's motion is a subsequent paragraph explaining the significance of the declaration. The Court will note that the notice's other paragraphs explain the significance of the narrowed claims and publications. (RJN 20, 21.)

If the moving party meets its initial burden, the nonmoving party need only set forth specific facts showing that there is a genuine dispute of material fact to defeat the motion and have its day in court. FED. R. CIV. P. 56. Inferences to be drawn from the facts must be viewed in the light most favorable to the nonmoving party. *Masson v. New Yorker Magazine*, 501 U.S. 496, 520 (1991). A summary adjudication is appropriate only "when viewing the evidence in a light most favorable to the non-moving party–giving that party the benefit of all reasonable inferences–there is no genuine issue of material fact for the jury, and reasonable minds could come to but one conclusion in favor of the moving party." *Sundance, Inc. v. Demonte Fabricating Ltd.*, 550 F.3d 1356, 1365 (Fed. Cir. 2008).

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IV.

PLAINTIFF'S CLAIMS ARE BARRED BY THE STATUTE OF LIMITATIONS.

Plaintiff filed its Complaint against Defendants over one year after the statute of limitations began to run. As such, and because no grounds exist to toll the statute of limitations, Plaintiff's claims for legal malpractice and breach of fiduciary duty are time-barred. Plaintiff's motion for summary judgment should be denied on this ground alone.

A. The Statute of Limitations for Plaintiff's Claims is One Year.

The limitations period for filing a legal malpractice action is codified in Code of Civil Procedure section 340.6. CAL. CODE CIV. PROC. § 340.6. Section 340.6 applies to any action against an attorney for a wrongful act or omission that arises out of that attorney's performance of professional services. *Id.* Thus, regardless of whether a plaintiff's theory of liability is based on breach of an oral or written contract, a tort, or a breach of a fiduciary duty, the same one year period applies. *Id.*; *Stoll v. Superior Court*, 9 Cal.App.4th 1362, 1369 (Cal.App.1st Dist. 1992) (breach of fiduciary duty action subject to one-year statute of limitations); *Quintilliani v. Mannerino*, 62 Cal.App.4th 54, 69-70 (Cal.App.4th Dist. 1998). Here, Plaintiff seeks summary judgment for its legal malpractice and breach of fiduciary duty claims. Because both causes of action arise out of Defendants' performance of professional services as patent counsel, Plaintiff's claims are therefore subject to section 340.6's one year limitation. *Id.*

B. Plaintiff Discovered the Facts Underlying its Allegations More Than One Year Before Filing its Complaint.

Plaintiff was aware of the facts it now alleges are actionable at least as of June 1, 2007, and at the latest, by August of 2007, when it terminated Defendants' representation with an e-mail expressing the same concerns alleged in this action. The crux of Plaintiff's allegations is that Defendants failed to advance its Patent Applications or to obtain any patents on its behalf. (Exh. A, ¶ 18.) But Plaintiff was well aware of these facts well over one year before it filed this lawsuit. In fact, it was the reason it terminated Defendant's representation.

On June 1, 2007, Mr. Cogan wrote to Mr. Klipstein and informed him that the USPTO had issued a final rejection of the '384 Application. (Exh. K.) In this e-mail, Defendants explicitly informed Plaintiff that they were unable to secure a patent based off of the '384 Application, and that the USPTO had rejected that Application. In response to this e-mail, Plaintiff wrote Defendants and informed them that he wished to retain another firm to accomplish what he wanted. (Exh. L.) In this email, Mr. Klipstein stated that "***after 19 months and some $200,000 in bills I seem not a bit closer to having even a single patent***." (Exh. L.)

Then, in the aftermath of the June-July emails and conversations, Mr. Klipstein terminated the attorney-client relationship between Defendants and Plaintiff on August 22, 2007, stating that "***I am frustrated that we have not made more progress with the Examiners, and I hope that employing lawyers who are also PHd's*** [sic] ***in biology and chemistry will move things along more expeditiously***…Ship the entire file [to Welsh & Katz]…Prepare a final bill for me which I will pay forthwith." (Exh. H.)

When Mr. Klipstein sent these emails expressing his frustrations, he clearly knew that Defendants had not advanced the Patent Applications or obtained any patents – that is the reason that he chose to go in a new direction and retain new counsel. He also clearly knew that Defendants had not had a Ph.D. working on his matter. Indeed, he had even formed one of the theories Plaintiff now asserts in this litigation: that Defendants had failed to advance the patents *because* of this lack of biological expertise. Yet Plaintiff still waited over a year and a half before filing this lawsuit against Defendants.

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The rule is that the statute of limitations starts running as soon as a plaintiff even a "suspicion of wrongdoing." *Apple Valley Unified Sch. Dist. v. Vavrinek*, 98 Cal.App.4th 934, 943 (Cal.App.4th Dist. 2002) Here, Plaintiff had at least a suspicion of wrongdoing by the time it sent the June 1, 2007 email, if not certainly the August 22, 2007 e-mail. If the statute had not yet started running, it was definitely running on August 22, 2007. Since Plaintiff waited to file until March 20, 2009, all of its claims are therefore time-barred.

C. Plaintiff Began to Suffer the Actual Injury Alleged in the Complaint More Than One Year Before Filing Its Complaint.

Under section 340.6, the statute of limitations begins to run when the plaintiff suffers actual injury, regardless of whether that injury can be remedied. *Laird v. Blacker*, 2 Cal.4th 606, 609, 615 (Cal. 1992); *Turley v. Wooldridge*, 230 Cal.App.3d 586, 593 (Cal.App.5th Dist. 1991). Actual injury occurs when the plaintiff sustains any compensable damages based off of a wrongful act or omission arising in the performance of professional services. *Jordache Enters. Inc. v. Brobeck, Phleger & Harrison*, 18 Cal.4th 739, 751 (Cal. 1998). The harm does not need to be finalized or even quantified by a specific monetary value. It is enough that the plaintiff loses a right to money or to the enforcement of a legal right. *Id.* When a client is compelled to incur additional attorney fees, as a result of attorney error, the attorney fees constitute actual injury. *Bennett v. McCall*, 19 Cal.App.4th 122 (1993, Cal.App.1st Dist).

Here, as Plaintiff's own motion admits, the damages alleged by Plaintiff accrued more than a year before Plaintiff filed this lawsuit. Specifically, Plaintiff asserts that it was damaged by (1) Defendants' alleged overbilling, (2) having to pay successor counsel, (3) lost patent life, and (4) the loss of the opportunity to license its patents in 2006. (Doc. #52, 18:5-19:3.) In addition to the fact that Plaintiff cannot prove any of these damages as a matter of law (*See* section V, *infra*), these allegations nevertheless show that Plaintiff suffered damage more than a year before filing its Complaint on March 20, 2009.

If Plaintiff was overbilled, it was damaged at the time of the overbilling, i.e. before the termination of Defendants' representation in August 2007. (Doc. #52, 8:1; Doc. #53, ¶ 12.) If it was damaged by incurring successor-counsel attorney fees, it was damaged the moment it first

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paid Welsh & Katz in the fall of 2007. If Plaintiff was damaged by lost patent lifetime, it was damaged the moment Defendants' first filing was rejected by the patent office in October 2006. (RJN 9.) In fact, this is the theory of damages set forth by Plaintiff's own expert. (Exh. O, p. 7 ("I was asked to assume that, but for the actions of Defendants, Neurorepair's patents would have issued in approximately June 2006").). Finally, if it was damaged by the lost opportunity to offer its patents for sale in 2006 or 2007, then it was damaged at the end of 2007. Thus, section 340.6's tolling provision[12] will not save this lawsuit from dismissal.

D. Defendants Did Not Continue To Represent Plaintiffs so as to Toll the One Year Statute of Limitations.

Section 340.6 provides that, with respect to continuous representation, tolling only occurs while the attorney continues to represent the plaintiff regarding the specific subject matter in which the alleged wrongful act or omission occurred. CAL. CODE CIV. PROC. § 340.6(a)(2). Here, because Defendants' representation as patent counsel for Plaintiff's patents was terminated in August 2007 and never thereafter resumed, the statute is not tolled.

After Plaintiff terminated its relationship with Defendants in August of 2007, it retained the law firm of Welsh & Katz as new counsel. (Exh. FF.) In September of 2007, Defendants filed a request to withdraw as attorney and advised the Patent Office that Welsh & Katz should receive all further correspondence. (RJN 1, RJN 23.) Less than a year later however, in March 2008, Plaintiff terminated Welsh & Katz as well. (Exh. I, ¶ 18.) At that point in time, as a professional courtesy to a former client, Defendants assisted Plaintiff in transferring the file from Welsh & Katz to Duane Morris. (Exh. GG; Decl. of R. Cogan ¶ 8.) Defendants' role at this juncture was limited to assisting in transferring the file and bringing Plaintiff's new counsel up to date on the case. Defendant ***did not*** substantively advise Plaintiff, resume control of the patent applications, draft any amendments or other filings, or in any other way attempt to further the patent applications. (RJN 1-3; Decl. of R. Cogan, ¶ 8.)[13]

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[12] "…the period shall be tolled during the time that any of the following exist: The plaintiff has not sustained actual injury…" Code Civ. Proc. § 340.6.

[13] The patent prosecution histories make clear that Defendants did not submit any filings or perform any other work in furtherance of Plaintiff's patents after its termination in August 2007, nor has Plaintiff made any such allegation.

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In *Foxborough v. Van Atta*, the Court held that continuous representation "is not triggered by the mere existence of an attorney-client relationship" (*Foxborough v. Van Atta,* 26 Cal.App.4th 217, 228 (1994)), and that "the limitations period is not tolled when an attorney's subsequent role is only tangentially related to the legal representation the attorney provided to the plaintiff. *Id.* at p. 229. In holding that there was no tolling, the *Foxborough* Court noted that "the retention of new counsel to pursue the matter, the lack of any contact with [prior counsel] for a prolonged period, and the significant change in [prior counsel's] role and responsibilities for his final involvement" all demonstrated that the representation had ended. *Id.*

Similarly here, the work Defendants performed for Plaintiffs in 2008 was only tangentially related to the legal representation that they provided a few years earlier. Since this type of wrap-up and transfer work is not the same type of legal representation that Defendants had previously provided for Plaintiff, and is not even the subject of this lawsuit, the statute of limitations was not tolled for continuing representation. The purpose of tolling during continued representation is to "avoid the disruption of an attorney-client relationship by a lawsuit while enabling the attorney to correct or minimize an apparent error, and to prevent an attorney from defeating a malpractice cause of action by continuing to represent the client until the statutory period has expired." *Worthington v. Rusconi*, 29 Cal.App.4th 1488, 1496 (Cal.App.6th Dist. 1994). Here, Defendants never had any opportunity to correct or minimize any alleged error, because they were never given control of the prosecution of Plaintiff's patent applications again. As such, there is no tolling.

In sum, Plaintiff was well aware of the facts giving rise to its claims more than a year before it filed its Complaint and no grounds exist to toll the statute of limitations. Plaintiff's claims are therefore time-barred. Plaintiff's motion should therefore be denied in full.

V.

PLAINTIFF CANNOT PROVE CAUSATION

Plaintiff's motion for summary judgment should also be denied because it has failed to prove the necessary element of causation. Plaintiff asserts that Defendants' conduct caused it to receive a patent later than it should have, and that such delay cost them the opportunity to license the patent. But here, Plaintiff cannot prove ***either*** contention. To the contrary, ***both*** arguments are speculative and impossible to prove, a fact conceded by Plaintiff's patent counsel and even their hired expert. For this reason also, summary judgment should be denied.

A. Plaintiff Cannot Prove That Any Action Defendant Could Have Taken Would Have Resulted in an Issuance of Its Patents.

Because Plaintiff cannot establish that 'but for' the alleged negligence of Defendants, it would have obtained a better result (i.e. it would have obtained a patent on any of its applications in 2006), it cannot establish the requisite element of causation to support its claims.

To prove causation for its legal malpractice and breach of fiduciary duty claims, Plaintiff must prove that it "would have obtained a better result if [Defendants] had acted as a reasonably careful attorney." *Viner v. Sweet*, 30 Cal.4th 1232, 1244 (2003); *See* Judicial Council of Cal. Civ. Jury Instns. (2006) CACI No. 601; *Davis v. Brouse McDowell, L.P.A.*, 2010 U.S. App. LEXIS 4266 (Fed. Cir. Mar. 2, 2010); *Coscia v. McKenna & Cuneo*, 25 Cal.4th 1194, 1199 (2001); *Coscia v. McKenna & Cuneo*, 25 Cal.4th 1194, 1199 (2001); *Mosier v. Southern California Physicians Ins. Exch.*, 63 Cal.App.4th 1022, 1044 (1998). This requires Plaintiff to prove "*to a legal certainty, not a mere probability*," that a defendant's breach caused actual damage. *Slovensky v. Friedman*, 142 Cal. App. 4th 1518, 1528-1529 (2006). "The purpose of this requirement, which has been in use for more than 120 years, is to safeguard against speculative and conjectural claims." *Mattco Forge, Inc. v. Arthur Young & Co.*, 52 Cal.App.4th 820, 832-834 (1997); *Viner,* 30 Cal.4th at 1244. It serves the essential purpose of ensuring that damages awarded for the attorney's malpractice have actually been caused by the malpractice. *Id.* at 834; *Viner v. Sweet*, 30 Cal.4th 1232, 1241.

Here, Plaintiff simply cannot prove causation for its legal malpractice and breach of fiduciary duty claims. Plaintiff cannot prove that had Defendants involved an attorney educated in the biological sciences (which they did, but that will be resolved another day) its patents would have issued because indeed, successor counsel *was* educated in the biological sciences and nevertheless failed to obtain the patents. (Exh. A, ¶ 14; Exh. R.) Nor can it prove its claim that

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had Defendants filed a Rule 132 declaration its patents would have issued, because successor counsel *did* file two such declarations which still resulted in rejections. (RJN 1-3, 17-18.)

In fact, the patent examiner made clear in the 2010 notices of allowability for the '384 and '028 patent applications that the patents were granted for three separate and necessary reasons. (RJN 20-21.) It was the ***combination*** of (1) a narrowing of the applications' claims language, (2) the filing of a Rule 132 declaration with lab reports previously undisclosed by Dr. Fallon (Exh. B, 210:23-212:6), ***and*** (3) the presence of articles not published until 2009 and 2010 ***all together*** that caused the patent examiner to allow their issuance. (*Id.*) To his credit, James Haley, Plaintiff's own patent counsel at Ropes & Gray whose May 2010 filings resulted in Plaintiff's patents issuing, *admitted this fact*:

> I would say the package of papers that were filed, the ***declaration***, the ***amendment***, the ***Fallon experimental evidence*** and the ***post filing publications together led to the allowance***.

(Exh. J, 115:1-116:11.)[14]

Given that it was a combination of all three steps that resulted in the patents, Plaintiff cannot prove that had Defendants filed a Rule 132 Declaration, its patents would have issued. To state the obvious, it would have been impossible for Defendants to file the 2009 and 2010 publications because ***they did not exist*** at the time of Defendants' representation of Plaintiff. Nor has Plaintiff offered evidence that it would have accepted the narrower claims Mr. Haley ultimately obtained. To the contrary, Plaintiff's principal's own words indicates he wanted far broader claims. (Exh. EE.) Thus, Plaintiff has failed to prove, and cannot hope to prove the element of causation for its claims.

B. Plaintiff Cannot Prove that had its Patents Issued During Defendants' Representation, it Would Have, to a Legal Certainty, Sold its Patents.

But even if there was evidence to demonstrate that the patent examiner did not mean what he/she said, and that the patent attorney who obtained such patents is wrong, it is still meaningless in light of the fact that there is no admissible evidence suggesting that such delay

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[14] By contrast, Plaintiff's hired expert calls Mr. Haley, the attorney who obtained the patents, "uninformed" and denies that when the examiner said she allowed the patents for three reasons she meant it. The jury will be able to compare the credibility of the two.

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caused Plaintiff any harm. The truth of the matter is that the vast majority of patents are worthless, and never licensed, so the delay in obtaining Plaintiff's patent was, as Plaintiff's own expert admits, more likely than not meaningless.[15] Moreover, Plaintiff's own principal has admitted that ***he would not have sold the patents even if they had issued.*** (Exh. HH, p. 2.)

1. Plaintiff has failed to offer any evidence of actual license offers during Defendants' representation, and its Principal has admitted that he would not have sold the patents even if there had been.

In order to survive summary judgment, Plaintiff must demonstrate a material fact exists as to its ability to prove to a legal certainty that the delay in some way cost them damage. *Slovensky v. Friedman*, 142 Cal. App. 4th 1518, 1528-1529 (2006); *v. Sweet*, 30 Cal.4th 1232, 1241 (2003). Thus, for the alleged negligent actions by Defendants, Plaintiff must show that (1) it could have licensed its patents during Defendants' representation, and (2) that it indeed would have done so. *Barnard v. Langer*, *supra*, at 109 Cal.App.4th 1461-1462; *In re Easterbrook*, 200 Cal. App. 3d 1541, 1544 (1988) ("damages may not be based upon sheer speculation or surmise, and the mere possibility or even probability that damage will result from wrongful conduct does not render it actionable.").

But here, Plaintiff has provided absolutely no evidence that had its patents issued in 2006, it could or would have, to a legal certainty, sold or licensed its patents.[16] There is no evidence that Plaintiff ever received an actual license offer during the time of Defendants' representation.[17] To the contrary, Plaintiff's shareholders believed that patents were a necessary precursor to any attempt to ***even try*** to license TGF-a. (Exh. B, 174:6-175:2.) Furthermore, even

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[15] An analysis of the Burns report illustrates this. He assumes that the patent would likely be worthless, but says there is a very small chance that it would be worth a lot. From that, he alleges that the damages should be calculated by multiplying the small percentage by the big number. If this were how the law worked, preventing someone from buying a lotto ticket would lead to damages every time, even though 6,999,999 out of 7,000,000 you would have saved them a dollar. (Exh. O, p.6, 13, 17, Appendix 9.1.)

[16] Plaintiff also has not provided any evidence that a company's patents must have issued before it can sell or license its inventions. Indeed, a former shareholder of Plaintiff admitted just the opposite – that in ***most cases a company will license its invention before its patents have issued.*** (Exh. S, 27:24-28:4; *See also* Exh. O, Appendix 5 (Plaintiff's own damages expert report shows 8 of 29 companies having licensed their inventions *before* their patent applications issued.) Defendants' expert has also opined on this matter: "Plaintiff believes that it must wait until a patent issues in order to try to sell a license. Such is simply not the case...." (Exh. DD, 6:18-25.)

[17] Furthermore, Plaintiff has refused to identify any attempts by it to license its patents, or provide the terms of any licenses offers it received, or if any such offers were ever even made. (Exh. T, p. 8; Exh. U; Exh. V, p. 2-6.)

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if Plaintiff could have sold or licensed its patents, Plaintiff's principal Mr. Klipstein has admitted that ***he would not have done so***:

> [Interviewer]:
>
> So when do you get to the stage – do you get to the stage – when it ceases to be your money going in and something which funds itself or makes money?
>
> **Klipstein:**
>
> God only knows. If you want to make a contribution, I suppose we'd be willing to take it. But as you've pointed out, this has so far been entirely funded by me. Again, largely because my concern was me and I was looking for a way to fix me. And also because ***once one begins to deal with venture capitalists, generally they take control. And that's not something I was amenable to. This is my project. I want to run it and I want to run it the way that I want to run it.***

(Ex. HH.)

Given this admission alone, which was made in April 2010, before Plaintiff's patents had issued, and thus when Plaintiff was in the same circumstances as it was in 2006, Plaintiff has failed to prove as a matter of law that it would have sold its patents in 2006 had they issued.

2. Plaintiff's only evidence of potential licenses is the inadmissible and unsupported assumptions of its damages expert.

The only other scintilla of evidence offered by Plaintiff of its potential licensing opportunities during Defendant's representation is the supplemental expert report of its damages expert, Daniel Burns. (Exh. O.) In order to serve as evidence for summary judgment however, an expert's opinion must be supported by facts. *Rambus Inc. v. Hynix Semiconductor Inc.*, 628 F. Supp. 2d 1114, 1122 (N.D. Cal. 2008). Here, Mr. Burns' report's conclusions are wholly unsupported by facts. Plaintiff has therefore failed to prove that it could have, to a legal certainty, sold its patents during Defendants' representation.

In his report, Mr. Burns simply ***assumes***, without any support, that Plaintiff would have entered into a patent license agreement in January 2007 but for the alleged conduct of Defendants. (Exh. O, p.6.) Given that this assumption is the only evidence offered by Plaintiff that it would have in fact been able to license or sell its patents, as demonstrated above, Plaintiff

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cannot prove to a legal certainty that its patents would have actually been sold, and therefore cannot prove that Defendants' alleged wrongdoing caused Plaintiff to not license TGF-a. *See* Rambus *Inc. v. Hynix Semiconductor Inc.*, 628 F. Supp. 2d 1114, 1122 (N.D. Cal. 2008).

But Mr. Burns' report goes further. He first admits "[b]ecause the drug developmental risk is so great, it is necessary in assessing NeuroRepair's damages to consider the possibility that NeuroRepair's drug candidate might fail on the developmental path." (Exh. O, p. 10.) He then himself finds that there is a 92% probability that Plaintiff's patents would ***not*** have led to a commercially viable product even in the absence of Defendants' alleged wrongful conduct. (Exh. O, Appendix 9.1.) He therefore explicitly acknowledges that Plaintiff, ***more likely than not, would have received no compensation*** aside from an upfront payment (which he assumes, without support, would happen) had its patents issued during Defendant's representation.

This analysis does not in any way constitute proof that Defendants caused Plaintiff harm as a "legal certainty." Nor does it in anyway address Mr. Klipstein's admission. As such, Plaintiffs cannot prove causation, and Plaintiff's motion should be denied.

VI.

DEFENDANTS DID NOT BREACH THE STANDARD OF CARE

Plaintiff's motion for summary adjudication must also fail because Defendants did not breach the standard of care. Whether the applicable standard of care has been adhered to is generally a question of fact. *Wright v. Williams* (1975) 47 Cal.App.3d 802, 809; *Starr v. Mooslin* (1971) 14 Cal.App.3d 988, 998. And here, Plaintiff's motion fails at each step of the analysis to demonstrate this necessary element of its claims.

A. California Requires Expert Testimony to Prove an Attorney's Standard of Care.

Plaintiffs' argument that Defendants breached the standard of care as a matter of law must fail because they have not offered expert testimony to support this assertion. When an attorney's exercise of due care in a given situation is not a matter of common knowledge, expert testimony is ***required*** to establish a breach of the applicable standard of care. *Vaxiion Therapeutics, Inc. v. Foley & Lardner LLP*, 593 F. Supp. 2d 1153, 1165 (S.D. Cal. 2008) ("In a legal malpractice action, ***expert testimony is required*** to establish the prevailing standard of skill

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and learning in the locality and the propriety of the particular conduct by the practitioner in particular circumstances, as such standard and skill is not a matter of general knowledge"); *Wilkinson v. Rives* (1981) 116 Cal.App.3d 641, 647-648 (the court determined that the duty of attorney in executing an instrument affecting land was beyond common knowledge of jurors, and without expert testimony, there was no evidence from which the trier of fact could have found negligence); *Wright v. Williams* (1975) 47 Cal.App.3d 802, 810-811 (case involving defendant holding self out as specialist, with claim related to expertise as such; person knowledgeable in specialty required to define duty of care and opine whether standard was met);

Here, Plaintiff acknowledges this requirement in its motion. (Doc. #52, 11:15-17.) Instead of addressing it however, Plaintiff instead argues that "[it] do[es] not need experts or a jury to determine the liability that is manifest here. The plain, incontestable facts tell us irrefutably that competent counsel could easily and expeditiously have obtained Plaintiff's Patents, because competent successor counsel in fact did." (*Id.* at 11:17-20.) As section V above establishes in detail however, Plaintiff cannot prove that its patents would have issued but for Defendants' alleged wrongdoing. Plaintiff's argument also conveniently skips over the fact that two law firms prosecuted the patents after Defendants, and indeed filed two Rule 132 Declarations – the thing which Plaintiff asserts Defendants were per se negligent for not doing – and nevertheless *did not obtain the patents*.

Regardless of these factual disputes however, Plaintiff's argument is also legally meritless. Plaintiff has offered no authority whatsoever to warrant the Court ignoring California's clear precedent requiring expert testimony. Nor has Plaintiff demonstrated that Defendants' actions in this matter, in the specialized field of patent prosecution, would so clearly constitute negligence to a non-lawyer so as to make the Court's disregarding expert testimony in this case appropriate. To the contrary, in *Vaxiion Therapeutics, Inc. v. Foley & Lardner LLP*, a case in which a biotechnology company sued its patent counsel for missing an application filing deadline, the Southern District specifically refuted Plaintiff's argument, holding that expert testimony was required to prove a breach of the standard of care – even in that instance where a

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blown deadline was at issue. *Vaxiion Therapeutics, Inc. v. Foley & Lardner LLP*, 593 F. Supp. 2d 1153, 1165-1166 (S.D. Cal. 2008).

Here, where the issue concerns the substantive question of when and if a Rule 132 Declaration should have been filed, what it should have said, what evidence should have been attached, and what steps should have been taken beforehand, Plaintiff's request for the Court to award judgment without requiring expert testimony is all the more inappropriate.

B. Expert Testimony Establishes that Defendants Did Not Breach Their Duty of Care.

Where there is a genuine dispute of expert opinion as to whether or not a defendant breached the applicable standard of care, summary judgment is inappropriate. *Vaxiion Therapeutics, Inc. v. Foley & Lardner LLP*, 593 F. Supp. 2d 1153, 1165 (S.D. Cal. 2008). Here, Defendants' duly qualified expert, Richard Warburg, Ph.D, has specifically opined that Defendants' actions during its representation of Plaintiff did not breach the standard of care. (Exh. AA, 29:8-17, 33:1-38:14.) He has specifically opined that Defendants were not unduly qualified to handle the prosecution of Plaintiff's patent applications (Exh. AA, 30:16-31:28.) And he has also confirmed that Defendants did not breach the standard of care by not filing a Rule 132 Declaration (Exh DD, 2:26-4:27.) Dr. Warburg has further opined at length regarding the flaws in Plaintiff's experts' opinions regarding the standard of care, causation, and damage. (Exh. BB, CC, DD.)

These opinions refute Plaintiff's arguments for summary judgment, and at the very least create a genuine dispute of material fact. Again, on this independent ground, summary judgment is inappropriate.

C. Plaintiff's Theory of Defendants' Breach of Care is Mistaken

But even without expert opinion, Plaintiff's motion should also be denied because the central thesis of its motion – i.e., that had Defendants filed a Rule 132 declaration their patents would have issued – *is simply and demonstrably wrong*. In fact, Plaintiff's own patent counsel, James Haley, whose 2010 filings resulted in the issuance of Plaintiff's patents, *specifically disagreed with Plaintiff's motion* at his deposition.

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1. A Rule 132 declaration is not necessary to overcome a patent office rejection based on 35 U.S.C. §§ 102 (anticipation) or 103 (obviousness).

Plaintiff's motion posits that under the Manual of Patent Examining Procedure requires ("MPEP"), in order in order to overcome an 'anticipation' or 'obviousness' rejection by the patent office, an applicant ***must*** submit a Rule 132 declaration by either an expert in the field or the inventor himself. Plaintiff then uses this argument to assert that no expert testimony is necessary for its motion, because failing to file a Rule 132 declaration is, in its eyes, an obvious example of malpractice, akin to missing a filing deadline.[18]

But Plaintiff's argument is fundamentally wrong, as even Plaintiff's own patent counsel had to admit at his deposition:

> Q. Have you overcome objections based on either of those two provisions [referring to 35 U.S.C. §§ 102 & 103]?
>
> A. Yes.
>
> Q. And in each one of those instances that you have overcome an obviousness or anticipation objection, have you always filed a declaration to overcome those objections?
>
> A. *No.*
>
> Q. So it is possible to overcome an obviousness and anticipation objection with just argument, correct?
>
> A. The argument has to be supported in the documents or somewhere. Just argument is not enough.
>
> Q. Right. But those documents need not contain an inventor's declaration, correct?
>
> A. *Correct.*
>
> Q. Are you familiar with any requirement by the MPEP or otherwise that in order to overcome an anticipation or obviousness objection you have to file an inventor's declaration?
>
> A. ***I am not aware of any such provision.***
>
> Q. The MPEP is not a set of instructions or rules by which patent attorneys must abide, is it?

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[18] As noted in section VI(A), expert testimony has been held necessary to prove a breach of the standard of care even in such cases where filing deadlines were missed.

> A. Probably not stated that way, but patent attorneys obviously try to follow the MPEP since that is the rules the Patent Office is going by, or I should say the procedures the Patent Office is using.
>
> Q. When you say argument has to be based on some form of evidence…what can that evidence include, in general terms?
> A. In general terms, anything that's supportive of the argument. An argument doesn't stand on its own, it must be supported by things. ***So it might be a citation within the prior art***…It might be in the examples of specifications…It ***might*** in an inventor's declaration. It might be an expert declaration. ***It might be in other articles that you wanted to call to the examiner's attention to show that what you were arguing was supported in the prior art…***

(Exh. J, 106:9-112:21.)

As Mr. Haley stated, the MPEP does not, as Plaintiff's motion suggests, set out the standards of practice before the patent office. (Doc. #52, 13:4-14.) Rather, they are standards followed by patent examiners. (RJN 24.)[19] But even under the MPEP, one need not file Rule 132 declaration to overcome an obviousness or anticipation rejection. Such rejections are routinely overcome without doing so, again as Plaintiff's own patent counsel admitted. (Exh. J, 106:9-112:21.) In fact, Defendants *did* overcome just such a rejection for the very patents at issue in this case *without filing* a Rule 132 declaration. (RJN 25-26, 9, 13.)[20]

That Plaintiff even makes this argument at best suggests a fundamental misunderstanding of the MPEP and the role of Rule 132 declarations in patent prosecution, and at worst an attempt to mislead the Court.[21] Regardless, Plaintiff's argument that Defendants have, as a matter of law, breached the standard of care fails in this first step.

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[19] The MPEP's Forward states plainly that "[i]t contains instructions to ***examiners***, as well as other material in the nature of information and interpretation, and outlines the current procedures which the ***examiners*** are required or authorized to follow in appropriate cases in the normal examination of a patent application. ***The Manual does not have the force of law***…" (RJN 24.)

[20] The Court will note that RJN 25, Defendants' remarks in argument submitted with its filings, do not contain a Rule 132 Declaration, but instead only arguments and citation to the prior art. Nevertheless, Defendants successfully removed the patent office's 35 U.S.C. 102 rejection.

[21] As the Court will note, the portions of the MPEP cited to by Plaintiffs, in their motion (Doc. #52, 13:19-14:26) do not set forth the standards for traversing patent office rejections. MPEP § 716.01, et seq. Rather, they set forth the standards for what is and is not to be considered evidence by a patent examiner. It thus goes without question that a section of the MPEP defining what constitutes substantive evidence would not include attorney argument. Here, Plaintiff offers these sections for the wholly different proposition that *only* substantive evidence, in the form of a Rule 132 declaration, and not attorney arguments based on prior art or other sources, can overcome a patent office rejection on the grounds of obviousness or anticipation. As Plaintiff's own patent counsel admits, and indeed as is common knowledge in all patent prosecutions, this is simply untrue.

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2. Plaintiff's motion mistates the applicable standard of care.

Because Plaintiff's argument misunderstands the role of Rule 132 Declarations, Plaintiff's motion also therefore mistates what the actual standard-of-care question in this matter would be *if* the causation issues (i.e. the narrowing of claims and the post-termination publications) were not present in this case, which of course they are. Nevertheless, for arguments sake, the true standard-of-care question under Plaintiff's theory is not whether it was a breach of the standard of care to not file a Rule 132 Declaration, but whether it was a breach for Defendants to wait as long as they did to file such a declaration.

Contrary to Mr. Klipstein's sworn declaration (Doc. #53, 4:4-10), after the rejection of Defendants' second filing for Plaintiff, Defendants *did* suggest to Plaintiff in two separate emails that submitting a Rule 132 declaration would be an appropriate next step for prosecuting the patents. (Exh. G, M.). First, on July 3, 2007, Mr. Cogan sent to Mr. Klipstein an email recommending several next steps in the prosecution and providing an estimate for the same:

> Matthew,
>
> ...we are looking at the following sorts of tasks, all or some of which may be components of the next response. We will then discuss with you the risk versus benefit of various options, and select which options are preferred...
>
> 6. Have a dialog with Professor Fallon;
>
> 7. ***Have a dialog with a pharma industry person and consider possibly making a §132 Declaration*** (e.g., statement by an expert that certain things are true and that other things aren't);
>
> 8. prepare for and conduct an interview with the examiner and the SPE (which they have already said they'll grant;)

(Exh. G; Decl. of R. Cogan, ¶ 13.)

It should be noted that these are the exact three steps James Haley took three years later that then resulted in the patents issuing. (Doc. #52, 14:10-15; Exh. J, 22:17-24:21; RJN 1-3.) In another email sent July 11, 2007, Mr. Cogan again advised Mr. Klipstein regarding a declaration:

> Matthew,
>
> ...The guesstimate for a written response and interview(s) is $15K. We want to discuss with you aspects of consulting with experts and ***preparing two declarations***. This will increase expenses

> significantly. We also want to discuss the pros and cons of having Jim attend the interview. This leads to the possibility of a higher number.

(Exh. M; Decl. of R. Cogan, ¶ 14.)

Before Defendants could prepare a declaration however, Plaintiff terminated Defendants' representation. (Exh. H.)

While Plaintiff may point to these two emails as evidence of negligence, the truth is much more reasonable. As both Defendants' expert and Plaintiff's own patent counsel have stated, there are inherent post-patent issuance risks that come with filing a Rule 132 declaration, especially where that declaration is made by the patent inventor. (Exh. J: 183:25-185:11; Exh. CC, 12:5-10.) Chief among these risks is that such declarations can be, and often are, used in subsequent patent infringement litigations by defendants to invalidate a plaintiff's patents. (*Id.*) For this reason, it is generally more desirable to obtain a patent without ever filing a declaration.

It was thus within the standard of care, *as Defendants' expert has opined*, to leave such declarations as an alternative approach, only to be used if arguments are unsuccessful. (Exh. DD, 3:22-5:12.) Indeed in some cases such a strategy is preferable. (*Id.*) Plaintiff's own patent counsel has admitted this fact. Furthermore, Mr. Klipstein himself has admitted that patent prosecution is a back-and-forth process, of which rejections are a natural part, in order to arrive at a *defensible* patent. (Exh. E.)

The issue of whether Defendant's decision to hold off on filing a declaration is a substantive question for the parties' standard of care experts to offer their opinions on. This is not a case of a blown statute of limitations filing, or anything even approaching clear cut negligence that would even theoretically warrant the Court's ignoring a dispute of experts. As such, and given the lack of authority from Plaintiff, Plaintiff's motion should be denied in full.

VII.

CONCLUSION

In sum, Plaintiff has failed to carry its burden of proof for partial summary judgment. Its arguments are disturbingly divorced from the actual facts of this case, the well-settled standards of patent prosecution, the sworn testimony of Plaintiff's own patent counsel, and California's

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legal malpractice jurisprudence. Its claims are time barred, it cannot prove causation, it has failed to demonstrate a breach of the standard of care, and there is a genuine dispute of expert testimony as to the standard of care. For all of these reasons and the arguments and evidence submitted herein, Defendants respectfully request that the Court deny Plaintiff's motion in full.

OPPOSITION TO PLAINTIFF'S MOTION TO STRIKE DEFENDANTS' AFFIRMATIVE DEFENSES WITH PREJUDICE

As an afterthought to its motion for summary judgment, Plaintiff has filed an entirely separate motion as part of the same moving papers. In this second motion, Plaintiff asks the Court to take the extraordinary step of striking *all* of Defendants' affirmative defenses *with prejudice*. In so doing, Plaintiff has attempted to foist onto Defendants additional matters to be replied to within the same page limit. Nevertheless, as Defendants' opposition above makes clear however, Defendants have plainly demonstrated that ample facts exist to support their defenses (e.g., statute of limitations, defendant exercised reasonable care, speculation, no causation, no duty to disclose, waiver, estoppel, res judicata, unclean hands, etc.).

These defenses were pled in Defendants' Answer to its Complaint back in May of 2009, yet Plaintiff has delayed until now to challenge them. Plaintiff's untimely request is therefore both wrong on the merits and violative of the Court's local rules, and should be denied outright.

A. Plaintiff's Motion to Strike Should be Denied Because it is Procedurally Defective.

1. Plaintiff's motion to strike violates Local Rule 7.1.

Plaintiff filed its motion for partial summary judgment and motion to strike in one document. The two motions share one "Notice of Motion" and there is only one "Memorandum of Points and Authorities." This is a direct violation of Local Rule 7.1(f)(1), which states:

> Each motion or other request for ruling by the court must be accompanied by a separate motion and notice of motion and another separate document captioned "Memorandum of Points and Authorities in support of [the motion]. Where appropriate, a separate statement of material facts must be supplied.

By only filing one document, composed of one notice and one points and authorities, Plaintiff violated Local Rule 7.1. Accordingly, its motion should be denied.

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2. Plaintiff's motion to strike is untimely.

In addition to violating the local rules, Plaintiff's motion to strike also violates the Federal Rules of Civil Procedure. Federal Rule of Civil Procedure 12(f)(2) explicitly states that a motion to strike from a pleading must be filed within 21 days after the pleading is served.

> The court may strike from a pleading an insufficient defense or any redundant, immaterial, impertinent, or scandalous matter. The court may act:...(2) on motion made by a party either before responding to the pleading or, if a response is not allowed, within 21 days after being served with the pleading.
>
> FED.R.CIV.PROC. 12(f).

Defendants filed their Answer on **May 27, 2009**. Since an Answer is not a pleading requiring a response, Plaintiff had twenty-one days from the date of service to file a motion to strike – until **June 17, 2009**. Instead, Plaintiff waited until **November 3, 2010** to file its motion to strike – approximately one year and six months too late. As such, the Court should deny the motion outright.

Federal District Courts have routinely denied motions to strike that were much less tardy than this one. For example, in *Schmid v. Roehm GmbH*, 544 F. Supp. 272, 273 (D. Kan. 1982), the Court denied a motion to strike as tardy that was filed only thirty-eight days after the Answer was filed. Plaintiff's motion to strike is far tardier than the motion to strike at issue in *Schmid*, and as such, should be denied. Further, the United States Supreme Court has addressed the issues and policy behind this rule, stating that inadequate pleadings "should be exposed at the point of minimum expenditure of time and money by the parties and the court." *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544 (2007).

Plaintiff freely admits that its motion to strike was not made within the twenty-one day window after the Answer was filed. However, it attempts to avoid this fact by claiming that it tried to resolve this matter informally with Defendant, and that the motion was made "expeditiously after those efforts failed." (Doc. #52, 20, fn. 5.) However, the attempts at resolution to which Plaintiff refers occurred in ***March*** of 2010 – almost **one year** after Defendants filed their Answer. (Doc. #54-15, Ex. O to Plaintiff's Motion, e-mail between T.

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Clements and C. Kiamilev dated March 3, 2010 and March 12, 2010.) By this time, Plaintiff had already surpassed the June 17, 2009 deadline for filing a motion to strike.

Yet even after this e-mail correspondence, Plaintiff waited an *additional* six months to bring this motion to strike. There is nothing expeditious about waiting a year and a half past the deadline to bring a motion to strike. Plaintiff's motion to strike is procedurally improper and untimely, and should be denied outright.

B. Defendants' Affirmative Defenses Should Not be Stricken.

1. Plaintiff is already on notice of the defenses at issue in this matter.

Plaintiff's motion to strike treats as a foregone conclusion their argument that Defendants' affirmative defenses should be stricken. However, this is not the case. Many Federal Courts, including the United States District Court for the Southern District of California, have recognized that "in some cases, merely pleading the name of an affirmative defense is sufficient." *J&J Sports Prods. v. Jiminez*, 2010 U.S. Dist. LEXIS 132476, *4 – 5 (S.D. Cal. Dec. 15, 2010), *citing Woodfield v. Bowman*, 193 F.3d 354, 362 (5th Cir. 1999). This is true because federal pleading requirements only require a "short plain statement," sufficient to give the court and the other parties fair warning that a particular defense will be pursued. FED. R. CIV. PROC. 8(c). *See also, Williams v. Ashland Engineering Co., Inc.*, 45 F.3d 588, 593 (1st Cir. 1995).

While it is true that the Court in *J&J Sports Prods.* granted the motion to strike many of the affirmative defenses on the grounds that they were boilerplate recitations, the procedural standing in that case clearly differentiates it from the case at hand. In *J&J Sports Prods.*, the motion to strike was timely filed – not a year and a half late. A timely motion to strike is filed in the beginning of the case, when the parties are beginning the discovery and litigation process. Striking improperly plead, extraneous defenses at the beginning of a case can give the litigants focus and save time and money. However, since Plaintiff in this case waited so long to file its motion to strike, the procedural posture is much different. Here, with the exception of expert depositions, discovery has been completed, including the exchange and analysis of tens of thousands of documents and a dozen depositions. Plaintiff has therefore already been made

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aware of Defendants' theories and defenses in this case through the focus of discovery as well as through the motion for summary judgment that Defendants filed.

2. Motions to strike are strongly disfavored.

Motions to strike are a strongly disfavored procedural tool. This is because "pleadings are of limited importance in federal practice and such motions are usually used as a delaying tactic." *J&J Sports Prods. v. Jiminez*, 2010 U.S. Dist. LEXIS 132476, *2 – 3, *citing RDF Media Ltd. v. Fox Broadcasting Co.*, 372 F.Supp.2d 556, 566 (C.D. Cal. 2005). Additionally, there is a general policy against denying a party the opportunity to support his contentions in more depth through discovery and trial. *Wohl v. Blair & Co.*, 50 FRD 89 (1970 S.D.N.Y.). Because of this, "courts will generally grant a motion to strike only when the moving party has proved that the matter to be stricken could have no possible bearing on the subject matter of the litigation. *J&J Sports Prods. v. Jiminez*, 2010 U.S. Dist. LEXIS 132476, *3, *citing Cal. Dep't of Toxic Substances Control v. Alco Pac., Inc.*, 217 F. Supp.2d 1028, 1033 (C.D. Cal. 2002). Additionally, courts "often require a showing of prejudice even when a motion to strike is granted. *Id.* This Court has similarly, previously commented that

> [M]otions to strike are regarded with disfavor because of the limited importance of pleadings in federal practice. Motions to strike a defense as insufficient are not favored…because of their somewhat dilatory and often harassing character. Thus, even when technically appropriate and well-founded, Rule 12(f) motions often are not granted in the absence of a showing of prejudice to the moving party.

Board of Trustees of San Diego Elec. Pension Trust v. Bigley Elec. Inc., 2007 U.S. Dist. LEXIS 50892, at *3 – 4, *citations omitted.* In *Bigley Elec. Inc.*, the Court denied a motion to strike an affirmative defense as inadequately pled. The affirmative defense that the Court held to be sufficiently pled stated "plaintiffs, though under a duty to do so, have failed and neglected to mitigate their alleged damages, and therefore, cannot recover against this answering Defendant, whether as alleged or otherwise." *Id.* This is similar to the affirmative defenses pled in Defendants' answer.

Plaintiff and the Court are already on notice of Defendants' defenses and arguments, given the prolonged period of discovery and motion work that has elapsed since Defendants filed

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their answer. This, in conjunction with the procedural impropriety of this motion, justifies denying Plaintiff's motion to strike outright.

C. The Court Should At Least Allow Defendants' Leave to Amend Their Answer.

Plaintiff has requested that the court grant its motion to strike without leave to amend. This is unsupported. Even when a motion to strike is technically and procedurally flawless (which Plaintiff's is not), and timely filed (which Plaintiff's is not), IF a court does grant a motion to strike, it almost always does with leave to amend. In fact, "leave to amend must be granted unless the court determines that allegations of other facts could not cure the deficiency." *Qarbon Inc. v. eHelp Corp.*, 315 F.Supp.2d 1046, 1048 (N.D. Cal. 2004). So strong is the policy in favor of allowing amendment that the appellate courts will conduct a strict review for abuse of discretion in the event that leave to amend is denied. *Jones v. Community Redevelopment Agency*, 733 F.2d 646, 649 (9th Cir. 1984). In short, Plaintiff's motion to strike should not be considered, let alone granted. However, in the off chance the Court does grant this motion, it should only do so while allowing Defendants leave to amend their answer.

D. Conclusion

Plaintiff's motion to strike is time-barred and procedurally defective. Plaintiff's arguments for striking Defendants' affirmative defense are substantively questionable. This motion should not be considered, let alone granted. However, in the event that the Court does decide to grant this motion, it should only do so with leave to amend.

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DATED: January 10, 2011

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